

# City of Detroit

## CITY COUNCIL

IRVIN CORLEY, JR.  
FISCAL ANALYST  
(313) 224-1076

FISCAL ANALYSIS DIVISION  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 218  
Detroit, Michigan 48226  
FAX: (313) 224-2783  
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN  
ASSISTANT FISCAL ANALYST  
(313) 224-1078

TO: Pamela Scales, Director  
Budget Department (Capital Budget)

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: April 19, 2007

RE: 2007-2008 Budget Analysis

24.

Attached is our budget analysis regarding the Capital Budget for the upcoming 2007-2008 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General  
Roger Short, Finance Director  
Pamela Scales, Budget Director  
Renee Short, Budget Department  
Kandia Milton, Mayor's Office

## Capital Budget Hearing and Debt Service Fund (18)

### FY 2007-2008 Proposed General Obligation Bond Budget

### FY 2007-2008 Budget Analysis by the Fiscal Analysis Division

The Mayor's 2007-2008 Recommended Budget includes an unlimited tax general obligation bond sale of \$50.0 million for citywide capital improvement projects. Unlimited tax general obligation bonds are city debt. The debt service levy for the principal and interest payment on unlimited tax general obligation bonds is over and above the 20 mills for operations. The Headlee Amendment to the State constitution, adopted in 1978, states that unlimited tax general obligation bonds cannot be issued without an affirmative vote of the electorate. The electorate has approved the proposed bond projects included in the Mayor's Recommended Budget.

In addition the proposed FY 2007-2008 Recommended Budget includes \$6.28 million in appropriations from interest earned from the investment of current unspent bond funds. The chart below includes both the bond sale proceeds and the allocation of investment earnings to departmental capital projects.

### Comparison of Last 2 Capital Agendas and Mayor's Recommended Budget

<u>2005-2006</u> <u>Capital Funds</u>	<u>2006-2007</u> <u>Capital Funds</u>	<u>Department</u>	<u>2007-2008</u> <u>Proposed</u> <u>Bond</u> <u>Sale</u>	<u>Investment</u> <u>Earnings</u>
\$ -0-	\$ 5,000,000	Airport	\$ 1,000,000	\$ -0-
\$ 4,800,000	\$ 292,000	Detroit Institute of Arts	\$ -0-	\$ 99,000
\$ 200,000	\$ 1,000,000	Charles H. Wright Museum	\$ -0-	\$ 200,000
\$ -0-	\$ -0-	Civic Center	\$ -0-	\$ 200,000
\$ 10,000,000	\$ -0-	DOT/DTC.	\$ -0-	\$ -0-
\$ 2,000,000	\$ -0-	Department of Public Works	\$ 2,430,000	\$ -0-
\$ -0-	\$ -0-	Eastern Market	\$ 1,000,000	\$ -0-
\$ 109,000	\$ 1,900,000	Fire	\$ 3,500,000	\$ -0-
\$ -0-	\$ -0-	General Service Department	\$ 3,200,000	\$ 1,287,000
\$ -0-	\$ 1,000,000	Health	\$ 5,000,000	\$ -0-
\$ 281,000	\$ 500,000	Historical	\$ 2,300,000	\$ 500,000
\$ 2,600,000	\$ -0-	Homeland Security (Fire Auth.)	\$ -0-	\$ -0-
\$ -0-	\$ -0-	Library	\$ -0-	\$ 1,000,000
\$ 1,000,000	\$ -0-	Planning and Development	\$ 6,500,000	\$ 1,000,000
\$ 20,500,000	\$ 5,000,000	Police	\$ 15,000,000	\$ -0-
\$ 2,800,000	\$ 12,900,000	Public Lighting	\$ 7,000,000	\$ -0-
\$ 5,800,000	\$ 17,550,000	Recreation	\$ 2,085,000	\$ 2,000,000
\$ 1,500,000	\$ 5,000,000	Zoological Institute	\$ 985,000	\$ -0-
<b>\$ 51,590,000</b>	<b>\$ 50,142,000</b>	<b>Total</b>	<b>\$ 50,000,000</b>	<b>\$ 6,286,000</b>



Council's questions and concerns regarding the specific departments' proposed and continuing capital improvement projects for FY 2007-2008 would be better addressed to the specific departments at their individual budget hearing.

Council has the ability to make programmatic changes to the Mayor's recommended bond program for 2007-2008 and those changes would be reflected in the Council's final vote on the budget. Council can revise the mix of recommended capital projects, add to or reduce the bond program amount. Any suggested amendments that increase the total dollar amount of the bond sale, however, **will impact the tax rate.**

#### Debt Service Fund - Sinking Interest and Redemption (18)

The Debt Service Fund represents the anticipated appropriation needed to pay debt service in FY 2007-2008 for all past general obligation bond sales and the costs for the 2007-2008 recommended bond sales. This appropriation is completely offset by the budgeted revenue of property tax, industrial facilities tax and commercial facilities tax that are obligated for the principal and interest payments on outstanding unlimited tax general obligation bonds.

Below, please find a comparison of the 2006-2007 and 2007-2008 Budget for debt service and the applicable tax rate:

	<u>FY 2007-2008</u>	<u>FY 2006-2007</u>	<u>Change</u>	<u>% Change</u>
Appropriation	\$ 77,605,081	\$ 78,059,941	\$ (454,860)	(.05%)
Revenue	\$ <u>77,605,081</u>	\$ <u>78,059,941</u>	\$ <u>(454,860)</u>	
Net Tax Cost	\$ 0	\$ 0	\$ 0	
Collection Assumption	100%			
Debt Service Tax Rate	\$ 8.0683 mills	\$ 8.3951 mills	\$ (.3268)	(3.9%)
Property Valuation	\$ 9,618,517,013	\$ 8,996,155,380	\$ 622,361,633	6.9%

#### Questions

1. Why did the 2006-2007 valuations change between last April when the Mayor's budget was presented to Council and this April's 07-08 recommended budget? The net difference is a decrease of \$84.85 million.
2. What would be the Administration's explanation for an 8.1% increase in real property valuations (6.9% for both real and personal property combined) as shown in Schedule F in the Executive Budget. What is the source of the growth? Were there new (improved) properties added to the tax roll?

3. In Schedule F, for the recommended 07-08, the valuation times the debt service rate equals the recommended levy collections. However for 06-07, the calculation is short by \$2.53 million. Can this be explained?
4. Why would the proposed collection rate for 07-08 be 100%? The county has begun to return the uncollectible tax bills, correct? Please provide a list of what has gone to the county and what has subsequently been returned since this program began.
5. Why would the Administration put \$1 million into Airport infrastructure when it is unclear what direction the Airport will be going? If a private company contracts to run it, it should be the contractor's responsibility to have sufficient fees to cover costs including capital costs. The \$5 million in last years proposed (not yet sold) bond sale is for acquiring land around the airport for new regulatory safe spaces.
6. What is the voter authority that is being used to sell bonds for General Services and Eastern Market? Has bond counsel determined that these categories fit within the existing parameters?
7. Investment earnings budgeted for capital projects in 2004-2005 were \$862,000, \$1.2 million for 2005-2006 and \$142,000 for 2006-2007. Why is the available balance in investment earnings to be budgeted for capital projects now \$6.3 million?



**SUMMARY - ALL FUNDS  
CAPITAL FINANCING**

**CITY OF DETROIT  
SUMMARY OF CAPITAL IMPROVEMENTS- GENERAL CITY AGENCIES  
2007-2008 MAYOR'S RECOMMENDATIONS**

	BOND SALE	CAPITAL REINVESTMENT	STREET FUND	TOTAL
<b>COLEMAN A. YOUNG MUNICIPAL AIRPORT</b>				
Building & Grounds- T Hangar Construction	\$ 1,000,000			\$ 1,000,000
<b>ARTS</b>				
DIA Improvements		\$ 99,000		\$ 99,000
<b>C.H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY</b>				
Facility Improvements		\$ 200,000		\$ 200,000
<b>CIVIC CENTER</b>				
Fire Suppression System		\$ 200,000		\$ 200,000
<b>DEPARTMENT OF PUBLIC WORKS</b>				
Southfield Yard Improvements	\$ 2,430,000			\$ 2,430,000
Street Resurfacing – Contractual			\$ 2,645,411	2,645,411
Traffic Control Improvements			\$ 5,049,795	5,049,795
New Street Construction			\$ 767,000	767,000
Traffic Control Improvements State			\$ 6,424,857	6,424,857
<b>Departmental Sub-total</b>	<b>\$ 2,430,000</b>		<b>\$ 14,887,063</b>	<b>\$ 17,317,063</b>
<b>EASTERN MARKET</b>				
1) Eastern Market Improvements	\$ 1,000,000			\$ 1,000,000
<b>FIRE</b>				
Electric Generator	\$ 500,000			\$ 500,000
Major Renovation – Fire Facilities	1,500,000			1,500,000
Fire Training Facility	1,500,000			1,500,000
<b>Department Sub-total</b>	<b>\$ 3,500,000</b>			<b>\$ 3,500,000</b>
<b>GENERAL SERVICES DEPARTMENT</b>				
Capital (Abatement) Workforce	\$ 1,200,000			\$ 1,200,000
Facilities Security Improvements	2,000,000	\$ 1,287,000		3,287,000
<b>Department Sub-total</b>	<b>\$ 3,200,000</b>	<b>\$ 1,287,000</b>		<b>\$ 4,487,000</b>
<b>DEPARTMENT OF HEALTH &amp; WELLNESS PROMOTION</b>				
Animal Control and Care Facility	\$ 3,000,000			\$ 3,000,000
Herman Keifer – Capital Improvements	1,000,000			1,000,000
Satellite Health Centers	1,000,000			1,000,000
<b>Department Sub-total</b>	<b>\$ 5,000,000</b>			<b>\$ 5,000,000</b>
<b>HISTORICAL</b>				
Collection Resource Center	\$ 2,300,000			\$ 2,300,000
Historic Building		\$ 500,000		500,000
<b>Department Sub-total</b>	<b>\$ 2,300,000</b>	<b>\$ 500,000</b>		<b>\$ 2,800,000</b>
<b>LIBRARY</b>				
ADA Access Improvements		\$ 1,000,000		\$ 1,000,000

**SUMMARY - ALL FUNDS  
CAPITAL FINANCING**

**CITY OF DETROIT  
SUMMARY OF CAPITAL IMPROVEMENTS- GENERAL CITY AGENCIES  
2007-2008 MAYOR'S RECOMMENDATIONS**

	BOND SALE	CAPITAL REINVESTMENT	STREET FUND	TOTAL
<b>PLANNING AND DEVELOPMENT</b>				
Commercial Industrial Sites	\$ 1,000,000	\$ 1,000,000		\$ 2,000,000
Residential Site Fund	5,500,000			5,500,000
<b>Department Sub-total</b>	<b>\$ 6,500,000</b>	<b>\$ 1,000,000</b>		<b>\$ 7,500,000</b>
<b>POLICE</b>				
1) Forensic Laboratory and Property Room	\$ 10,000,000			\$ 10,000,000
2) Districts and Other Facilities Renovations	2,500,000			2,500,000
3) Expansion of Northwest District	2,500,000			2,500,000
<b>Department Sub-total</b>	<b>\$ 15,000,000</b>			<b>\$ 15,000,000</b>
<b>PUBLIC LIGHTING</b>				
Capital Abatement				
1) Belle Isle Substation & Distribution	\$ 2,000,000			\$ 2,000,000
2) Street Lighting Modernization	5,000,000			5,000,000
<b>Department Sub-total</b>	<b>\$ 7,000,000</b>			<b>\$ 7,000,000</b>
<b>RECREATION</b>				
1) Capital Operations	\$ 1,000,000			\$ 1,000,000
2) Parks & Landscape		\$ 1,000,000		1,000,000
3) Recreation Centers & Facilities- Major Center & Facility Repairs		1,000,000		1,000,000
4) Belle Isle Park Development	1,085,000			1,085,000
<b>Department Sub-total</b>	<b>\$ 2,085,000</b>	<b>\$ 2,000,000</b>		<b>\$ 4,085,000</b>
<b>ZOO</b>				
1) Belle Isle Nature Zoo Phase II	\$ 500,000			\$ 500,000
2) Sidewalk/ADA Accessibility	485,000			485,000
<b>Department Sub-total</b>	<b>\$ 985,000</b>			<b>\$ 985,000</b>
<b>APPROPRIATION TOTALS</b>	<b>\$ 50,000,000</b>	<b>\$ 6,286,000</b>	<b>\$ 14,887,063</b>	<b>\$ 71,173,063</b>
<b>REVENUES:</b>				
Sale of General Obligation Bonds	\$ 50,000,000			\$ 50,000,000
Street Fund Reimbursement- Gas & Weight			\$ 14,887,063	\$ 14,887,063
Capital Reinvestment		\$ 6,286,000		\$ 6,286,000
<b>REVENUES TOTAL</b>	<b>\$ 50,000,000</b>	<b>\$ 6,286,000</b>	<b>\$ 14,887,063</b>	<b>\$ 71,173,063</b>



**SUMMARY - ALL FUNDS  
CAPITAL FINANCING**

**2007-08 CAPITAL PROJECT INFORMATION AND EFFECT ON OPERATING BUDGET**

The following is a description by department of the capital projects included in the 2007-08 Recommended Capital Program. The IMPACT on the budget is denoted by a code as follows:

Impact on Operating Budget:

AF=additional funding required

RF=results in reduction of funding

NOI=no operating IMPACT

Impact on Staff in the Operating Budget:

AS=additional staffing required

RS=results in reduction of staffing

NSI=no staffing IMPACT

**COLEMAN A. YOUNG MUNICIPAL AIRPORT**

***Buildings & Grounds-*** Funding is recommended for the construction of replacement T-Hangars and the site preparation and taxiway improvements required prior to construction. The completion of this project will create lease space and increase the revenue generation capacity of the Airport. IMPACT ON BUDGET: NOI/NSI

**ARTS**

***D.I.A. Improvements*** - Capital funds will be used to implement projects as outlined in the agency's Master Plan. Funds for FY 2007-08 represent interest earning obligations as specified in the agency's operating agreement. IMPACT ON BUDGET: NOI/NSI

**CHARLES H. WRIGHT MUSEUM OF AFRICAN AMERICAN HISTORY**

***Facility Improvements*** - Funding is recommended for miscellaneous capital improvements. IMPACT ON BUDGET: NOI/NSI

**CIVIC CENTER**

***Facility Improvements*** - Capital funds will be used to renovate and improve Civic Center's fire suppression system. IMPACT ON BUDGET: NOI/NSI

**DEPARTMENT OF PUBLIC WORKS**

***Facility Improvements - Southfield Yard-*** Funding is recommended for improvements to the buildings and grounds at the Southfield facility. IMPACT ON BUDGET: NOI/NSI

***New Construction and Street Resurfacing-Contractual,*** - This continuing program allocates funds for resurfacing streets and repairing curbs. IMPACT ON BUDGET: RF/NSI

***Traffic Control Improvements and Traffic Control Improvements-State and Federal-*** This continuing program allocates funds for traffic control repair, maintenance and upgrades. IMPACT ON BUDGET: RF/NSI

**EASTERN MARKET**

***Facility Improvements*** - The Eastern Market Corporation entered into an operating agreement with the City in 2006 to manage and operate the Eastern Market. For FY 2007-08 funding is requested for the renovation of various sheds and other infrastructure improvements, as part of an extensive multi-year plan of improvements to enhance the marketability and visibility of the Eastern Market. IMPACT ON BUDGET: NOI/NSI



## SUMMARY - ALL FUNDS CAPITAL FINANCING

### **FIRE**

***Electrical Generators-*** This is a two-phase program to purchase and install emergency electrical generators at fire facilities (33 in total) that currently do not have emergency back-up power capability. Funds will be used to install 16 units in FY 2007-08. IMPACT ON BUDGET: NOI/NSI

***Major Renovations- Fire Facilities-*** This is a multi-year program to fund major renovations at various fire facilities. The renovations include roof repair and replacements; and doors and floors replacement to accommodate heavy movable equipment. IMPACT ON BUDGET: NOI/NSI

***Fire Training Facility -*** Funding will be used to acquire land and for the construction of a new Fire Training Facility. IMPACT ON BUDGET: NOI/NSI

### **GENERAL SERVICES**

***Capital Workforce -*** Funding is requested for this continuous capital improvement program which utilizes city employees (located in the General Services Department) to construct and rehabilitate neighborhood parks, playfields, tot-lots and playgrounds. IMPACT ON BUDGET: NOI/NSI

***Facilities Security Improvements -*** Funding is recommended for a city-wide program of security improvements, such as: installation /update/upgrades of access control units; updates/upgrades of security cameras and monitoring equipment; reinforcement of entrance and exit points and any additional security measures as require for the individual facility. IMPACT ON BUDGET: RF/NSI

### **HEALTH & WELLNESS PROMOTION**

***Animal Control Center-*** Funding will be used to construct a new animal control facility that will meet current federal and state guidelines. Funds were budgeted for this project in previous fiscal years. IMPACT ON BUDGET: NOI/NSI

***Herman Keifer: Capital Improvements -*** Capital funds requested for FY2007-08 will be used for ongoing capital improvements at this facility; specifically for the vital records area. IMPACT ON BUDGET: NOI/NSI

***Satellite Health Centers-*** Improvements recommended for funding in FY 2007-08 includes satellite centers' parking lot pavement and lighting repairs; and renovations to entrance/lobby areas and examination rooms. IMPACT ON BUDGET: NOI/NSI

### **HISTORICAL**

***Collections Resource Center -*** Funding is requested to complete major renovations/construction of a new collections resource center located on the grounds of Historic Fort Wayne. IMPACT ON BUDGET: NOI/NSI

***Facility Improvements-*** Funds will be used for renovations and improvements to various historic buildings. IMPACT ON BUDGET: NOI/NSI



## SUMMARY - ALL FUNDS CAPITAL FINANCING

### **LIBRARY**

***Facility Improvements*** – Funding is recommended for American with Disabilities Act (ADA) access improvements to the main library and various branch libraries. IMPACT ON BUDGET: NOI/NSI

### **PLANNING AND DEVELOPMENT**

***Commercial Sites***- Funding is recommended for this project to assemble land and provide for necessary site improvements to promote commercial and industrial development activity in the City of Detroit . These funds will be used to leverage other available sources of investment from state and federal sources. IMPACT ON BUDGET: NOI/NSI

***Residential Sites***- Funding for this project provides for site improvements, public infrastructure construction and/or reconstruction and site consolidation as it relates to residential development in the City of Detroit. IMPACT ON BUDGET: NOI/NSI

### **POLICE**

***Forensic Laboratory and Property Room***: Funding is requested to continue the construction of a replacement facility for the Police Department's crime lab and property room that meets accepted industry standards and provide for sufficient and secure storage space. IMPACT ON BUDGET: NOI/NSI

***District, headquarters, Other Facilities***: Funding is requested for capital improvements at the department's various facilities as part of its on-going capital improvement program and to meet requirements under the Department of Justice (DOJ) consent decree. IMPACT ON BUDGET: NOI/NSI

***Expansion of the Northwest District***: The current facility will be expanded to better house personnel assigned to this location as a result of the department's extensive reorganization of facilities and personnel. The current building will be renovated and expanded to house the 306 personnel currently assigned to this location (up from 209 before the reorganization) and will include meeting facilities and parking for the community and staff. . IMPACT ON BUDGET: AF/NSI

### **PUBLIC LIGHTING DEPARTMENT**

***Belle Isle Substation and Distribution***- Funding is requested to expand capacity of the Belle Isle substation and distribution system which is currently operating at capacity. IMPACT ON BUDGET: RF/NSI

***Street Lighting Modernization***- Funding is requested for this on-going project of prioritizing and evaluating city, county and state streets and roads; historic districts and residential neighborhoods to modernize street lighting. IMPACT ON BUDGET: RF/NSI

**SUMMARY - ALL FUNDS  
CAPITAL FINANCING**

**RECREATION**

***Capital Operations*** - Funding is recommended for various activities promoting the operations of the department, including in-house design and construction management; surveys and studies required for various recreation projects, and city match for grant awards. IMPACT ON BUDGET: NOI/NSI

***Parks & Landscapes*** - Funding is recommended for this on-going program of major redevelopment/renovation of ten (10) parks per year. IMPACT ON BUDGET: NOI/NSI

***Recreation Centers & Facilities Improvements*** - Funds will be used for major renovations and improvements to various recreation centers, which may include roofing, pool repairs/renovations, and improvements to building systems (electrical, plumbing and/or HVAC). IMPACT ON BUDGET: NOI/NSI

***Belle Isle Park Improvement*** - DRD continues to perform on-going improvements to Belle Isle based on priority needs. Projects for FY 2007 include architectural assessment, new comfort station and infrastructure repairs. IMPACT ON BUDGET: NOI/NSI

**ZOO**

***Facility Improvements*** - Funding is recommended for the Detroit Zoological Institute to continue its multi-phase improvement project at the Belle Isle Nature Zoo. Funding will also be used to complete ADA improvements at the main Zoo. IMPACT ON BUDGET: NOI/NSI